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April 21, 2008

AGENDA ITEM 10

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** CalPERS 2008-11 Three-Year Business Plan Approval (Second Reading)
- II. PROGRAM:** Systemwide
- III. RECOMMENDATION:** Approval of the Second Reading of the CalPERS 2008-11 Three-Year Business Plan and transmittal to the Legislature as specified below.
- IV. ANALYSIS:**

The first reading of the 2008-11 Three-Year Business Plan was approved by the Finance Committee and the Board of Administration in February 2007.

Upon approval of the second reading by the Board of Administration, the 2008-11 Three-Year Business Plan will be transmitted, via the attached transmittal letter (Attachment D), to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, the State Controller, and the Department of Finance in accordance with the Budget Act of 2007; and the Legislative Analyst's Office and the State and Consumer Services Agency.

Three-Year Business Plan Clarifications

At the first reading of the business plan, several issues were raised regarding various objectives. The following information addresses those issues:

- *Managing Workload Employee Survey Questions*
The 2007 survey included eight questions related to managing workload - impact of workload on quality of work; adequate staffing needed to do work; available time to access needed training; clear understanding of job duties; clear understanding on job performance criteria; work and personal life balance; availability of needed equipment; and adequacy of computer hardware and software.

- Employee Survey Participation
The 2007 survey achieved a 78 percent response rate with nearly 1,700 employees participating.
- Objective 11.5 Target. This objective relates to the number of employers proactively promoting participation in healthy lifestyle programs. Since no current baseline exists for this objective, 10 percent was chosen as an initial target. Staff will be establishing the baseline based on data gathered through the 2008 employer survey. Once established, the objective measure can be re-evaluated as needed.

Since the first reading of the business plan, staff received input in the form of a memo (Attachment B) from the Board's consultant on healthcare, Watson Wyatt Worldwide.

The memo reflects several issues regarding various objectives within the Enterprise business plan objectives. The following information addresses those issues and, as a result, modifications have been made to the business plan:

- Business Plan Effective Date
The proposed Three-Year Business Plan will be effective July 1, 2008. CalPERS operates with a rolling three-year business plan – as one year drops off, a new year is added. To prevent confusion on the effective date of the new plan, the objectives that contained a June 30, 2008 target completion date have been changed to July 1, 2008.
- Objective 1.5 Clarification
This objective calls for development of a strategy for administering a comprehensive other post-employment benefit obligation program. It is anticipated that the strategy developed to meet this objective would provide more specific information on scope and program development targets.
- Objective 4.2 Clarification
This objective relates to implementing a statewide education and outreach program for policymakers and public officials. The Goal 4 Statement of Intent acknowledges the political environment in which CalPERS operates. This objective relates to providing information and education opportunities through the CalPERS Ambassador Program, which promotes CalPERS value to these stakeholders.

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Additionally, the memo provided input on several Health business plan objectives. Input clarification was prepared by the Health Benefits Branch and is included in Attachment C of this agenda item. Other than changing the due date for Objective 11.4 from June 30, 2009, to July 1, 2009, no other modifications have been made to the Health portion of the business plan.

Four Business Plan Objectives Added Since First Reading

In February, the first reading of the Three-Year Business Plan, it was reported that additional objectives related to the findings of the Public Employees Post-Employment Benefits Commission and the 2007 Employee Opinion Survey feedback were still in development. The 2008-11 Three-Year Business Plan (Attachment A) now includes the four proposed business objectives that were developed since the February meeting.

Based on the findings and recommendations of the Public Employees Post-Employment Benefits Commission, the following three objectives have been added.

Goal I. Exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems.

- **Objective 1.5** – By July 1, 2008, complete development of a strategy enabling public employers to address other post-employment benefit obligations.
- **Objective 1.6** – By July 1, 2010, implement applicable recommendations and new legislation resulting from the Post-Employment Benefit Commission's findings.
- **Objective 1.7** – By July 1, 2011, establish the infrastructure needed to administer a comprehensive other post-employment benefit obligation program, including needed legislation, program policies, investment vehicles, and administrative capacity.

The latest CalPERS Employee Opinion Survey was completed in December 2007. Feedback was highly favorable and showed a significant improvement over the 2005 survey.

With several ongoing, major enterprise-wide initiatives underway, the following business plan objective was developed to ensure continued focus on employee satisfaction.

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Goal II. Foster a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability.

- **Objective 2.9** – By December 31, 2009, sustain the current level of overall employee satisfaction achieved in the 2007 Employee Opinion Survey.

This objective will be measured using the baseline questions established in the 2005 survey related to overall employee satisfaction.

Ongoing Business Plan Status Reporting

Upon approval, the CalPERS 2008-11 Three-Year Business Plan will be effective July 1, 2008. Staff will provide the first semi-annual status report to the Finance Committee in September 2008.

Conclusion

The CalPERS 2008-11 Three-Year Business Plan contains 12 strategic goals and 38 business objectives. It documents the business priorities and the enterprise implementation plan that will guide CalPERS toward the achievement of our Vision, Mission, and Strategic Plan.

VI. RESULTS/COSTS:

Cost and resource needs associated with the projects and other activities identified in this plan have been allocated in the proposed CalPERS 2008-09 Budget.

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Attachments